

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket Nos. D.T.E. 02-24 and D.T.E. 02-25
Responses to the Department's Third Set of Information Requests

Request No. DTE 3-1:

Refer to Exhibit FGE-MHC-7 (Electric) at 2. Please describe in detail how the Company's electric water heater program is operated. As part of your response, please include: (1) the total revenues and total costs of the rental program; (2) the current monthly rental charge to customers; (3) the number of customers served by the program; and (4) the number of Company employees working on the program.

Response:

FG&E currently rents 271 electric water heaters, 153 units at \$9.75 per month and 118 units at \$12.95 per month. This number is approximately one percent of the total number of customers receiving electric service. At present, new rentals are only of 50 gallon water heaters at \$12.95 per month per unit. The initial rental term is one year, renewing automatically each year thereafter. In addition to a free standard installation (non-standard installation is described below) of the rental water heater, customers receive free service and maintenance to the rental unit during the rental period. The program is offered only to residential property owners and the property owner must agree to pay the monthly rental charge. FG&E imposes this requirement in an effort to limit customer turnover in the program and to ensure that property owners are aware that rental equipment is being installed in their property. In addition, due to equipment manufacturer's warranty restrictions, a rental unit installed in a multi-family residence must supply domestic hot water to a single unit only. After one year of rental, the customer may purchase the water heater at a "buy-out price". The buy-out price is equal to the installed cost of the water heater less depreciation, plus sales tax.

Initial Rental Process

A Customer Service call center representative receives the call from an interested customer and asks what kind of water heater he/she currently has (electric or gas and what size) and how many living units it is serving. If the installation meets the program requirements (property owner as rental customer, single residential unit installation), a check of the customer's account for credit worthiness is performed. If the customer is creditworthy, the customer service representative sends the customer a completed rental agreement for signature to be returned to FG&E.

Upon receipt of the signed rental agreement, the customer service representative coordinates a time for the rental water heater to be installed. A local plumbing contractor under contract with FG&E performs the installation. In addition, code requires that a licensed electrician connect the electrical components. A local electrician under contract with FG&E performs this work. A standard installation is free. However, if additional work is required to the customer's plumbing or electrical systems in order to bring them up to City plumbing or electrical codes, the customer is responsible for having the necessary work done at his/her expense.

Installations are scheduled between the hours of 8 a.m. to 4 p.m. Monday through Friday, excluding holidays. If a customer requires installation at other times, the

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customer has to pay the \$80 difference in the plumbing labor rate between regular and overtime hours. After installation is completed, the customer service representative initiates the billing of the monthly rental charge.

Employees

There is a limited number of employees (approximately ten) of FG&E and Unitil Service Corp. (USC) who may become involved in the rental program process, depending on the particular activity occurring. They typically spend a minimal amount of time in their work day on the rental program. Currently there are no employees who are assigned solely to or work full-time on the program. The four functional areas that have employees working on the program are: Customer Call Center, Business Development, Distribution Operations Center Operations Support, and Accounting. .

Revenue and Costs

Per books rental revenue for the test year is \$48,333. Per books Depreciation expense for the test year is \$13,079. There is no property tax expense related to rental water heaters. O&M expenses consist of both direct and allocated amounts. Per books direct expense for the test year is \$13,866, inclusive of bad debts of \$2,842 and charges from USC of \$7,956. Proformed allocated expense for the test year is \$1,297, related to various 900 account numbers, as directed by the Department in DTE 98-51. The account numbers of both direct and allocated expenses are listed on Schedule MHC 7-14 (Electric). Description of the allocation process is found in Exhibit FGE-MHC-7 (Electric).

Person Responsible: Mark H. Collin